



The Northampton Retirement Board

NEWSLETTER

J u l y 2 0 2 2 E d i t i o n

*Serving our members,
retirees and survivors since
1937*

Included in this issue:

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- **Retiree COLA**
- **2021 Investment report**

Members of the Board

Joyce Karpinski
Chairperson / Ex-Officio

Karen Lafleche
Elected Member

Charlene Nardi
Appointed Member

Thomas Sullivan
Appointed Member

Tammy Suprenant
Elected Member

David Shipka
Administrator

Elsie Vazquez
Associate Retirement Specialist

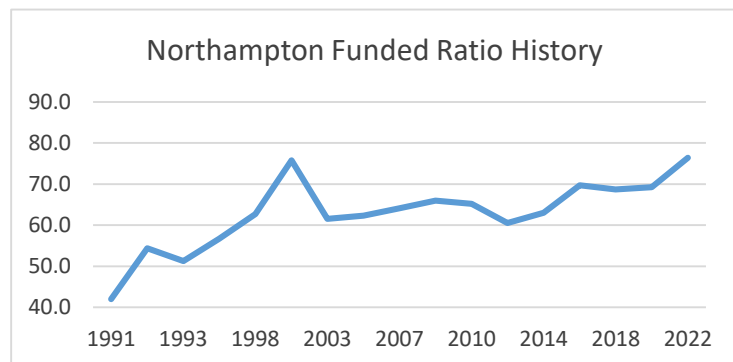
Northampton Retirement Board
240 Main Street, Room 5
Northampton, MA
01060-3110

Phone (413) 587-1211
Fax (413) 587-1278
retirement@northamptonma.gov

Retirement System funding progress update

The Northampton Retirement Board continued its biennial funding reassessment in May, voting to adopt a new funding schedule aimed at paying down the plan's unfunded liability. The new schedule begins with fiscal year 2024 and will result in a reduction of two years for the time it takes the plan to reach full funding in 2035.

Stone Consulting, the firm responsible for the actuarial valuation, determined that Northampton's retirement system is 76.4% funded, up from 69.2% in the last study. For comparison, the statewide median for all Massachusetts retirement systems in data published for 2021 was about 65.7% funded. The Massachusetts State Employees' Retirement System reported being 66.4% funded in last year's valuation. This chart illustrates Northampton's funding progress over the past 30 years:



Over this time, the liabilities of the plan increased by over seven times, while the plan's assets have grown by over 11 times.

2022 Actuarial Valuation Highlights

- The annual assumed rate of return was lowered from 7.125% to 6.9%.
- The target year for full funding improved from 2037 to 2035.
- The funded ratio increased following positive investment returns.
- The average annual retirement allowance rose 5.6% to \$26,142.
- The cost of administering the plan as a percentage of payroll decreased from 1% to 0.9%.

Valuation date	2022	2020	2018
Market value of assets	\$177.8M	\$141.4M	\$126.1M
Unfunded liability*	\$51.4M	\$60.8M	\$55.9M
Assumed rate of return	6.9%	7.125%	7.375%
Funded ratio*	76.4%	69.2%	68.7%

*Based on actuarial asset values

Employees:

Let us know if you need to...

- Change your designated beneficiary or update your marital status.
- Update your contact info.
- Request to purchase qualifying prior municipal or military service.
- Receive information on your benefits or file for retirement.

Retiree Reminders:

- Your 1099-R tax form will arrive by the end of January.
- You must keep track of post-retirement public sector earnings to ensure you remain within legal limits.
- Direct deposit is now mandatory for all retirees and survivors.
- Retirement deposits are scheduled for the last business day of each month.
- Your annual retiree affidavit will be included with your December paystub. State law requires that you return this form to us. If we do not receive your form, we will be required to suspend your retirement allowance.

FY23 Pension Payment Schedule

Friday, July 29, 2022
 Wednesday, Aug. 31, 2022
 Friday, Sep. 30, 2022
 Monday, Oct. 31, 2022
 Wednesday, Nov. 30, 2022
 Friday, Dec 30, 2022
 Tuesday, Jan. 31, 2023
 Tuesday, Feb. 28, 2023
 Friday, Mar. 31, 2023
 Friday, Apr. 28, 2023
 Wednesday, May 31, 2023
 Friday, June 30, 2023

New rules on post-retirement earnings

Public retirees may now work up to 1,200 hours annually in the public sector, up from 960 hours following the passage of H.4007 last year. The limitation on earnings remains the same: Public retirees are limited to earning no more than the difference between the salary of the position retired from and their annual retirement allowance, plus \$15,000 after completing one full calendar year of retirement. That said, recent legislation has waived all limitations for non-disability retirees through 2022 or up to 90 days following the end of the declared Public Health Emergency by Governor Baker, whichever occurs first.

Retirement Board update

Michael Lyons retired from his elected seat on the Northampton Retirement Board at the end of 2021. In all, he has served the Retirement System for over 35 years, first as City Auditor, then again as an elected board member.

The election to fill the vacated seat produced two interested candidates, Fire Chief Jon Davine and Smith Vocational School retiree Karen Lafleche. In January's election, Karen garnered 158 votes to Jon's 147 to win the seat.

Karen retired in 2019 after more than 35 years of Northampton service. She began her board term on February 1st.

Congratulations to Karen and Mike!



Retiree cost-of-living adjustment for July 2022

The Northampton Retirement Board voted unanimously to grant a 3% cost-of-living increase for retirees and survivors. Under state law, the 3% increase is limited to the first \$13,000 of a qualifying retiree's annual retirement allowance.

The effective date of the increase was July 1st. Qualifying retirees are set to receive the increase with their July 29th payment. To be eligible for the increase you must have been receiving a retirement allowance on or before June 30, 2021.

Northampton Retirement Board Overview

- **Joyce Karpinski**
(Chairperson), Ex-Officio, City Auditor (2007-present)
- **Karen Lafleche**
Elected Member, Smith Vocational School Retiree (2022-present)
- **Charlene Nardi**
Mayoral Appointee, City Finance Director (2021-present)
- **Thomas Sullivan**
Appointed 5th Member, Financial Advisor (2008-present)
- **Tammy Suprenant**
Elected Member, Administrative Assistant (2020-present)

Retirement Board Staff

- **David Shipka** – Administrator
- **Elsie Vazquez** – Associate Retirement Specialist

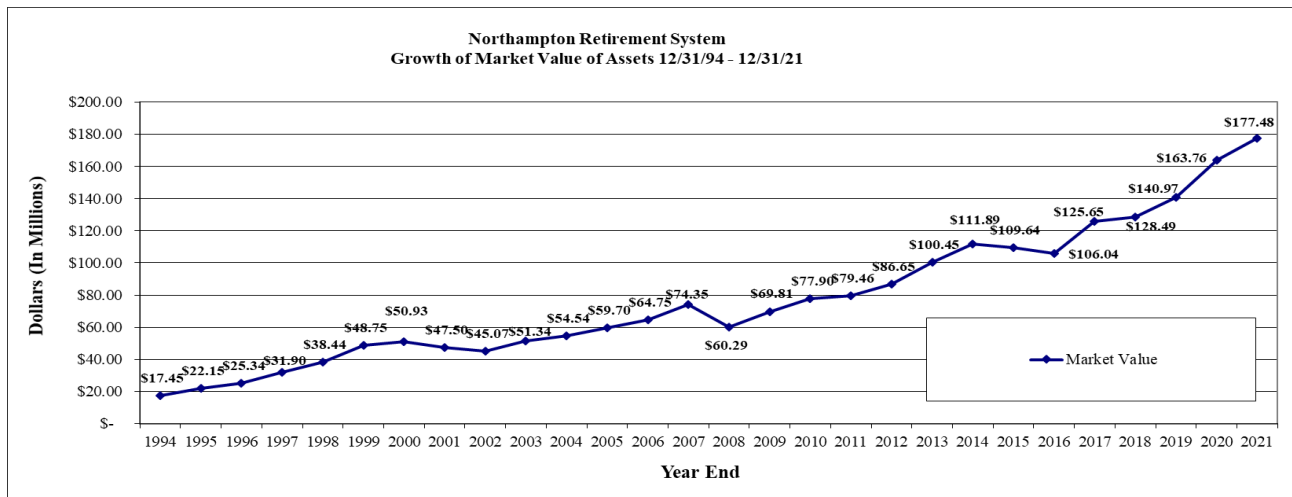
INVESTMENT REPORT

Prepared by our investment advisor, the de Burlo Group

The Northampton Retirement System's Performance

From a long-term perspective the Northampton Retirement System's portfolio has seen impressive growth (please see the graph below). As of December 31, 2021, the portfolio appreciated in value by a grand total of nearly 236% compared to its year-end value of \$60.29 million set on December of 2008. In addition to the increase in the market value of the portfolio, a net amount of \$24.85 million was disbursed from the portfolio over the past 13 years. Consequently, over the 13-year period, investment returns have added \$142.04 million to the portfolio despite the market collapse associated with the financial market crisis of 2008 and early 2009 and the pandemic-related market turmoil in 2020.

As the graph below shows, the System's assets reached a new peak of \$177.48 million at the end of December 2021, an increase of \$13.72 million from the prior year's end. Please keep in mind that there were also net distributions of \$2.34 million during 2021. Therefore, the portfolio appreciated by a combined total of \$16.06 million during 2021.



For the calendar year 2021, the Northampton System performance had positive returns, up 9.8%. In comparison, the Public Retirement Investment Trust (PRIT) appreciated by 20.5%. Over the past five years (ending on December 31, 2021), Northampton's portfolio appreciated at an annual rate of 13.0% per year, in line with PRIT's 12.9% annual rate of return. Over the past ten years (ending on December 31, 2021), Northampton's portfolio appreciated in value by approximately 10.5% per year, compared to PRIT's 11.0% return over the same time period.

Northampton's good results over the long term demonstrate the System's sustainability. During the 37 years that PERAC has been tracking performance of Massachusetts municipal pension funds, Northampton's portfolio appreciated by an annual rate of 9.6%. Northampton's annual appropriation and its projected funding schedule are based upon an assumed rate of return of 7.125% (through 2022). Northampton's actual, annualized rate of return of 9.6% over the past 37 years is well in excess of this assumed rate of 7.125%.

The Northampton Retirement System Portfolio

The assets of the Northampton System remain well diversified as the table on the following page shows. During the year the stock allocation was decreased from 64.9% of the total portfolio to 61.6%, with an emphasis on domestic stocks. The combined weighting of bonds and cash increased from 34.8% to 38.2% during the year.

	Allocation at 12/31/21	\$ Millions	% of Total
Cash	Cash	1.0	0.6
	Domestic Stock	103.6	58.4
	International Stock	5.7	3.2
	Real Estate	0.0	0.0
Equity	Total Equity	109.3	61.6
	Domestic Bonds	66.7	37.6
	International Bonds	0.0	0.0
	Below Invest. Grade	0.0	0.0
Fixed Income	Total Fixed	66.7	37.6
	Private Equity & Venture Capital	0.4	0.2
PRIT Investments	Total PRIT Investments	0.4	0.2
Total		177.5	100.0

The Financial Markets and the Economy in 2021

In just a matter of weeks, Omicron went from being virtually unknown to becoming the dominant variant in the U.S. Discovered in November, the highly transmissible Omicron variant has been responsible for a surge in COVID cases worldwide. Though highly transmissible, Omicron causes fewer hospitalizations and deaths than variants that came before, in individuals who are vaccinated and boosted. In response to this new variant, some nations have put a select number of targeted COVID-related restrictions back in place, while others have been reluctant to do so, arguing against such restrictions and maintaining that the pandemic is now in an endemic phase that we must learn to live with. Just when the analysts were predicting that labor shortages would subside, employee absenteeism is up due to Omicron infections.

Benchmarks*	Three Months Ended 12/31/21	Calendar Year Ended 12/31/21
Dow Industrials	7.37%	18.73%
S&P 500	10.65%	26.89%
Russell 2000	1.86%	13.70%
NASDAQ Composite	8.28%	21.39%
MSCI Emerging Markets	-1.68%	-4.59%
MSCI EAFE Index	2.40%	8.78%
Crude Oil	0.24%	55.01%
Trade-weighted Dollar	0.72%	4.75%
Gold	4.03%	-3.44%
2 Year Treasury	+46 basis points	+61 basis points
10 Year Treasury	+2 basis points	+60 basis points
Fed Funds Target Rate	No Change	No Change
* Please note the returns listed above refer to price changes only.		

Looking Forward

As we move forward, COVID continues to loom heavily in the background of our daily lives. We look to our leaders and public health experts to continue working toward equitable vaccine and testing distribution. In American and Europe, vaccination rates are high. However, vaccinations are lagging in many other parts of the world. We look forward to when COVID is in the rearview mirror and when the economy is able to grow without further hindrance.